

Memorandum

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Be energy efficient!*

To: JOHN LIU
Deputy District 6 Director
Maintenance and Operations

Date: July 14, 2008

File: P3030-641

Original Signed By

From: GERALD A. LONG
Deputy Director
Audits and Investigations

Subject: District 6 Maintenance Office Review

Attached for your information is Audits and Investigations' (A&I) final report for the District 6 Maintenance Office Review. This review was performed as a management service to you for your consideration in the oversight role of the maintenance offices.

We thank you and your staff for its assistance during our review. A&I's review is an independent internal review intended to provide you with feedback for your management's consideration.

If you have any questions or need additional information, please call Laurine Bohamera, Chief, Internal Audits, at (916) 323-7107, or me at (916) 323-7122.

Attachment

c: Malcolm Dougherty, District 6 Director
Teresa Rix, Deputy District 6 Director, Administration
Steve Takigawa, Chief, Division of Maintenance
Laurine Bohamera, Chief, Internal Audits

P3030-641
District 6 Maintenance Review
July 2008

Gerald A. Long
Deputy Director
Audits and Investigations
California Department of Transportation

DISTRICT 6 - MAINTENANCE REVIEW

SUMMARY

Audits and Investigations (A&I) has completed a maintenance review of District 6. The purpose of the review was to assess whether accounting and administrative procedures were being followed, fiscal data was entered properly into the accounting system, and that proper measures were in effect to safeguard the Department of Transportation's (Department) assets. The review was performed as a management service to you for your consideration in the oversight role of your maintenance and operations unit.

Our review of the accounting records and control procedures was based on the District's compliance with the Department's Accounting Manual, State Administrative Manual (SAM), and departmental policies and procedures. The scope of our review covered personnel time and payroll records, overtime and warrant distribution procedures, damage reports, and other records and tests as we deemed necessary.

Our review disclosed that the accounting records and control procedures followed by the District 6 Maintenance and Operations Unit were generally in compliance with the Department's Accounting Manual, SAM, and departmental policies and procedures, except as follows:

- Deficiencies in CAL-Card Processing.
- Untimely Validation of Accident Logs.
- Inadequate Controls Over Explosive Inventories.
- Untimely Approval of Employee Timesheets.
- Weakness in Maintaining Employee Leave Balances.

OBJECTIVES

The objectives of the maintenance review were to assess whether accounting and administrative controls were being followed, fiscal data was being entered properly into the accounting system, and proper measures were in effect to safeguard the Department's assets.

SCOPE AND METHODOLOGY

The scope of our review included personnel time and payroll records, overtime and warrant distribution procedures, purchases, damage reports, and other records and tests, as we deemed necessary. Our scope did not include a review of cookhouses and bunkhouses, as none exist in this district. Our methodology consisted of interviewing personnel, reviewing records, and performing other analytical procedures and tests, as necessary.

The period of the review focused on District transactions and operations from July 1, 2007, through February 29, 2008.

DISTRICT 6 - MAINTENANCE REVIEW

RESULTS

The maintenance review disclosed that District 6 Maintenance and Operations followed accounting and administrative procedures, entered fiscal data properly into the accounting system, and took proper measures to safeguard the Department's assets. However, we identified the following deficiencies where internal controls can be improved:

- Deficiencies in CAL-Card Processing.
- Untimely Validation of Accident Logs.
- Inadequate Controls Over Explosive Inventories.
- Untimely Approval of Employee Timesheets.
- Weakness in Maintaining Employee Leave Balances.

For further information, please see the Attachment.

We hope this review proves useful in your oversight role of the District 6 Maintenance and Operations Unit. If you have any questions, please contact Laurine Bohamera, Chief, Internal Audits, at (916) 323-7107.

Original Signed By

GERALD A. LONG
Deputy Director
Audits and Investigations

March 14, 2008
(Last Day of Field Work)

Attachment

Audit Team:

Laurine Bohamera, Chief, Internal Audits
Kevin Yee, Audit Supervisor
David Wong, Auditor
Laddavanh Southiyanon, Auditor

ATTACHMENT

District 6 Maintenance Review

1. Deficiencies in CAL-Card Processing

Background:

CAL-Cards are widely used throughout District 6 as an alternative means of procuring goods and services, with delegation of authority passed from the Division of Procurement and Contracts (DPAC) to the approving officials (AO). Cardholders are assigned to an AO, who reviews and approves the cardholders' purchases. The security and correct use of the CAL-Card are the responsibilities of the cardholder and the AO.

Issue:

We reviewed 25 CAL-Card Purchase Requests (PR) and noted the following exceptions:

- 25 (100%) PRs lack a signature in the received box.
- Eight (32%) PRs were prepared after the goods were received.

The CAL-Card Handbook, section 3.7, states, "Cardholders must accurately and timely validate the receipt of all ordered goods or services delivered by suppliers. The responsible manager will identify the person accountable for validation of receipt for every transaction. Fill in the "Date Received" and "Received by Signature" areas in PCARS and on the hard copy of the PR Form."

The CAL-Card Handbook, section 3.1, states, approval is necessary before making any purchase, and the approval must be documented in the procurement file.

District cardholders were not aware that the "received by" box needed to be signed and that PRs needed to be prepared prior to the purchase of goods/services.

Without receiving signatures, there is no accountability that goods and/or services were actually received. Without documentation of prior approval for purchases, district management is unable to demonstrate acknowledgement of the validity and necessity of purchases.

Recommendation:

We recommend that District 6 Maintenance and Operations management ensure that the AOs enforce CAL-Card requirements, including ensuring that PRs are properly reviewed, signed, and dated when goods are received and prepared prior to the purchase of goods. At a minimum, the requester should attach an email from the supervisor acknowledging approval, if approval cannot be obtained before purchase is made.

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District 6 Maintenance Review

2. Untimely Validation of Accident Logs

Background:

Dispatchers, supervisors or superintendents file service requests for traffic control and emergency calls, which report incidents of damage to State infrastructure. Supervisors obtain the traffic collision reports and identify the service request number assigned to the call. The system then assigns an accident log number to the service request number. Once an accident log number is assigned, the Division of Accounting (DofA) – Office of Receivables, Systems and Administration - Damage Claims Unit can monitor the cost of repairs. After all the work orders are completed, the district maintenance administrator electronically transmits each damage report to the Damage Claims Unit for billing.

Issue:

We reviewed 18 accident log reports and found that three (16.7%) damage reports were not electronically validated within 90 days of the service request date. The three accident logs took between 115 and 129 days to validate.

The Integrated Maintenance Management System (IMMS) District Crews Training Manual, Damage Report Section, Business Rules, page 156, states, in part, Caltrans current 90-day policy for completing all work orders, resolving all service requests, and validating the accident log for an incident remains in effect. In addition, the Caltrans Maintenance Manual, Volume I, Section 1.12.3, states that the damage reporting process is very important to the Maintenance Program and every effort should be made to complete the damage reporting process within 90 days.

According to the district maintenance administrator, this was an oversight due to other work priorities.

Untimely completion of work orders delays the abatement process and reduces the likelihood of recovery from responsible parties. This limits the Department's ability to recover revenues that would offset the repair costs incurred as a result of damage to the State Highway System.

Recommendation:

We recommend that District 6 Maintenance and Operations management ensure that damage claim accident logs are validated within 90 days of the service request date in order to maximize the Department's recovery rate of incurred damage repair costs.

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3. Inadequate Controls Over Explosive Inventories

Background:

District 6 stores explosives at the Pinehurst and Bodfish maintenance facilities. Physical counts of the explosives are conducted every three months by at least two licensed blasters. Our review of explosives was limited to the Pinehurst maintenance facility.

Issue:

Our comparison of a physical count of explosives to those amounts listed as on hand per the IMMS, revealed a discrepancy of 17 (538 versus 521) more detonator caps on hand than was listed in IMMS.

The Caltrans Maintenance Blasting Manual, Section VI - Storage, Sub-heading E - Records and Thefts, states, adequate records shall be maintained at all times. In case of theft, current inventory records shall be complete enough to determine what is missing.

The Caltrans Maintenance Manual, Volume II, Chapter 3 – Managing Materials and Supplies, Section 3.1, states that all maintenance materials purchased by the Department for future use shall be safely and securely stored and shall be recorded in the Service and Supply System inventory and the IMMS system until charged to use.

The superintendent that performed the physical count did not update the IMMS to reflect correct inventory balances.

Lack of adherence to inventory control procedures could result in a loss of explosive inventory.

Recommendation:

We recommend that IMMS inventory be adjusted to reflect the correct explosive inventory on hand.

4. Untimely Approval of Employee Timesheets

Background:

Supervisors capture payroll detail, equipment and vehicle usage, and materials used, in the IMMS. This information feeds into the monthly timesheets (M33), which are reviewed by management for accuracy, signed by employees, and approved by their supervisors.

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Issue:

We reviewed 36 M33s and found that three (8%) were not signed in a timely manner. The timesheets were signed in March 2008 for the August 2007 pay period.

State Administrative Manual (SAM) Section 8539, Attendance Report, states, Agencies will maintain complete records and absences during each pay period. These records will be properly certified. When individual time records are maintained by employees, they will be signed by both the employee and the employee's supervisor.

The Regional Administrative Officers (RAO) stated that, while they make every effort to have the timesheets and absence requests signed in a timely manner, it is not always possible due to other work priorities.

The potential exists for abuse when employees and supervisors do not certify hours worked on a timely basis. Also, without timely reviews and approvals, the payroll costs are not accurately presented for project cost analyses. By signing the timesheet, it certifies that the hours worked are accurate and that there are no discrepancies in the time reported.

Recommendation:

We recommend that District 6 Maintenance and Operations management comply with SAM, Section 8539, by ensuring that all timesheets be signed by both the employee and supervisor in a timely manner.

5. Weakness in Maintaining Employee Leave Balances

Background:

The Regional Office manually tracked employee leave balances on an Individual Time Record (HM-33-B), an unofficial record. Information from the M33s were used to post to the HM-33-Bs. The Regional Office used this information to provide employees their current leave balances.

Issues:

We compared the leave balances of 32 employees per HM-33-Bs to leave balances per the State Controller's Office (SCO) Leave Activity and Balance Report (LABRPT1) and found that

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28 (88%) of the HM-33-Bs did not agree to the LABRPT1. We selected four employees out of the 28 with variances and found:

- One of four was noted that vacation buy back hours were not recorded on the individual employee's HM-33-B.
- One of four was noted that vacation hours that were donated for Catastrophic Leave, were not recorded on the individual employee's HM-33-B.
- Three of four was noted that the variances between the LABRPT1 and the individual employees' HM-33-B could not be explained by the RAO.

In addition, we noted errors in posting vacation and Compensating Time Off to the HM-33-Bs from the M33s.

SAM, Section 8534, Attendance Records, states, "Agencies will maintain complete records of attendance and absences for each employee during each pay period."

The RAOs stated that they do not reconcile the employee's leave balance against SCO records because the information is not always updated in real time. In addition, by tracking the employee's leave balances on the HM-33-Bs gives them a better idea of the employee's current leave balance.

The potential exists for abuse when leave records are not being reconciled to the LABRPT1 report.

Recommendation:

We recommend that District 6 Maintenance and Operations management assess whether it is necessary to maintain the HM-33-Bs. If management feels the need to maintain the HM-33-Bs, balances should be reconciled to the LABRPT1.